

ALLOWABLE AND UNALLOWABLE COSTS AND ACTIVITIES

All Specialty Crop Block Grant Program (SCBGP) awards are subject to the appropriate cost principles for the applicant organization, the United States Department of Agriculture (USDA) program requirements, and the requirements established by the California Department of Food and Agriculture (CDFA) in the 2016 Request for Concept Proposals and Grant Proposal Instructions.

Federal cost principles are regulations used to determine allowable costs, and ensure consistent treatment of costs. Applicants are responsible for identifying the federal regulations appropriate to their organization, consistently applying cost principles to the SCBGP grant funds, and ensuring contractors or consultants comply with applicable federal cost principle requirements.

- State, local or Indian tribal governments, non-profit organizations, colleges and universities will be subject to [2 CFR 200](#).
- For-profit organizations will be subject to [48 CFR Subpart 31.2](#).

The following list describes specific funding restrictions under the SCBGP. This section is not intended to be all-inclusive. The applicant should consult the Request for Concept Proposals, Grant Proposal Instructions and federal cost principles for the applicable organization for the complete explanation of the allowability of costs they address.

Item	Description
Alcoholic Beverages	<i>Unallowable</i> for alcoholic beverages except when the costs are associated with enhancing the competitiveness of a processed product.
Aquaponics	<i>Allowable</i> as long as the crops that are being grown are eligible specialty crops and the focus of the project is on the specialty crops and not the fish. • A project to determine whether carp, catfish, or tilapia are best for growing lettuce is acceptable. • A project to study whether lettuce or tomato produced the highest yield of tilapia is not acceptable. • A project to farm fish using an aquaponics system and then sell the fish is not acceptable. • A project to grow specialty crops where both the specialty crops and the fish are sold is not acceptable. For more information on constructing or purchasing an aquaponics system, see Equipment-General Purpose and Equipment-Special Purpose .
Conferences	<i>Allowable</i> for costs of conferences. A conference is defined as a meeting, retreat, seminar, symposium, workshop, or event whose primary purpose is the dissemination of technical information beyond the non-federal recipient or subrecipient and is necessary and reasonable for successful performance under the federal award. Allowable conference costs paid by the non-federal recipient or subrecipient as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals (see Meals for restrictions), and refreshments, local transportation, and other items incidental to such conferences with the exception of entertainment costs that are unallowable. If registration fees are collected, the recipient or subrecipient must report fees as program income.

Item	Description
Construction and Renovation and Land or Building Acquisition	<i>Unallowable</i> for the acquisition of buildings, facilities, or land or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations of an existing building or facility (including site grading and improvement, and architecture fees). Building means any permanent structure that is designed or intended for support, enclosure, shelter, or protection of person, animals, or property having a permanent roof that is supported by columns or walls.
Contractual/ Consultant Costs (Professional Services)	<i>Allowable</i> subject to limitations below. Contractual/consultant costs are the expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the applicant in the form of a procurement relationship. <i>Allowable</i> for contractor/consultant employee rates that do not exceed the salary of a GS-15 step 10 federal employee in your area (for more information please go to https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2016/general-schedule/). This does not include fringe benefits, travel, indirect costs, or other expenses. Please note that any statutory limitations on indirect costs also apply to contractors and consultants. If rates exceed this amount, one of the following justifications must be provided: • A description of the steps you took to hire a contractor, which includes obtaining a cost/price analysis. The purpose of the analysis is to review and evaluate each element of cost to determine reasonableness, allocability, and allowability. OR • Due to the complexity or uniqueness of the project, the pool of available and qualified contractors is limited. Therefore, the selected contractor's specialized qualifications necessitate hiring at a rate beyond a GS-15 step 10. (Please outline the unique qualifications of the contractor.)
Contributions and Donations	<i>Unallowable</i> for contributions or donations, including cash, property, and services, from the recipient or subrecipient to other entities. • Example: Using grant funds to purchase produce to donate to other entities and individuals is unallowable.
Entertainment Costs	<i>Unallowable</i>. Entertainment costs include amusement, diversion, and social activities and any costs directly associated with such costs (such as bands, orchestras, dance groups, tickets to shows, meals, lodging, rentals, transportation, and gratuities).
Equipment, Buildings, and Land	<i>Equipment</i> is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice

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	price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. <i>General Purpose Equipment</i> means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning or refrigeration equipment, reproduction and printing equipment, and motor vehicles. <i>Special Purpose Equipment or Scientific Research Equipment</i> is equipment used only for research or technical activities. Examples include electron microscopes, spectrometers, fruit or vegetable processing equipment, etc. <i>Allowable</i> for rental costs of general purpose equipment, buildings, and with prior approval for land. Vehicles may be leased, but not purchased. For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds \$5,000, rates should be in light of such factors as: rental costs of comparable vehicles and equipment, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the vehicle or equipment leased. <i>Allowable</i> for acquisition costs and rental costs of special purpose equipment provided the following criterion is met: 1) Necessary for the research, scientific, or other technical activities of the grant award; 2) Not otherwise reasonably available and accessible; 3) The type of equipment is normally charged as a direct cost by the organization; 4) Acquired in accordance with organizational practices; 5) Must only be used to solely enhance the competitiveness of specialty crops; 6) More than one single commercial organization, commercial product, or individual must benefit from the use of the equipment; 7) Must not use special purpose equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services; and 8) Equipment is subject to the full range of acquisition, use, management, and disposition requirements under §200.313 Equipment as applicable. Recipients and subrecipients purchasing any special purpose equipment are encouraged to use such funds to purchase only American-made equipment or products. <i>Unallowable</i> for acquisition costs of general purpose equipment, buildings, and land.
Fines, Penalties, Damages, and Other Settlements	<i>Unallowable</i> for costs resulting from violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations.

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Fiscal Sponsorships	Fiscal sponsorships generally refer to an arrangement between a non-profit organization and another group, by which the non-profit organization permits the use of their legal and tax-exempt status to the other group for activities related to the non-profit's mission. Projects that involve a fiscal sponsorship are subject to the following requirements: 1) The fiscal sponsorship arrangement and the identities of the involved parties must be clearly disclosed within the grant application. 2) If awarded funds, the fiscal sponsor, rather than the sponsored organization, is the grant recipient. The fiscal sponsor is responsible for executing the grant agreement and must ensure all project activities and costs, including activities of the sponsored organization, contractors or consultants comply with applicable Federal regulations and requirements, and grant terms and conditions. 3) Changes to the recipient (such as a change from the non-profit fiscal sponsor to the sponsored organization) or key personnel require USDA and CDFA approval. 4) Fiscal sponsorship fees cannot be charged as a direct cost. Fiscal sponsorship fees <i>may</i> be allowable as an indirect cost, if charged consistent with the sponsored organization's established policies.
Foreign Travel	For purposes of this provision, "foreign travel" includes any travel outside the United States. An applicant with a proposal that involves foreign market development must determine if the project is more appropriate for grant programs administered by the Foreign Agricultural Service or funded through the State-Regional Trade Groups. The SCBGP recommends that applicants search the Foreign Agricultural Service database of GAIN reports (http://gain.fas.usda.gov/Pages/Default.aspx) to ensure that proposals will not duplicate information that already exists. Any proposal involving foreign travel must be well justified. See Travel in this table for more information on travel costs.
Fundraising	<i>Unallowable</i> for organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used. This includes salaries of personnel involved in activities to raise capital.
General Costs of Government	<i>Unallowable</i> for salaries and expenses from: 1) The office of the Governor of a state, chief executive of a political subdivision or the chief executive of federally-recognized Indian tribal government; and 2) A state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction.

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Goods or Services for Personal Use	<i>Unallowable</i> for costs of goods or services for personal use of the recipient's or subrecipient's employees regardless of whether the cost is reported as taxable income to the employees.
Health and Nutrition Messaging	<i>Allowable</i> when health and nutrition information complies with regulations and policies of the: Federal Trade Commission http://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection AND U.S. Food and Drug Administration http://www.fda.gov/Food/IngredientsPackagingLabeling/LabelingNutrition/default.htm. Nutrition and health claims must be truthful, not misleading or deceptive, and include adequate disclaimers if appropriate.
Information Technology Systems	<i>Allowable</i> for website development, mobile apps, etc. <i>Unallowable</i> for information technology systems having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established in accordance by generally accepted accounting principles (GAAP) by the non-federal recipient or subrecipient for financial statement purposes or \$5,000. Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition costs for software includes those development costs capitalized in accordance with GAAP. Information technology systems include computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information. Examples of unallowable information technology systems include service contracts, operating systems, printers, and computers that have an acquisition cost of \$5,000 or more. Information Technology services such as networking, data management, help/support desk services, etc. are considered indirect costs and may not be charged directly. Indirect costs (also known as "facilities and administrative costs") are costs incurred for common or joint objectives that cannot be identified specifically with a particular project, program, or organizational activity.
Insurance and Indemnification	<i>Allowable</i> as indirect costs for insurance and indemnification.
Lobbying	The recipient should obtain an advance understanding with the SCBGP if it intends to engage in certain activities intended to influence Federal, State or local government entities.

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	<i>Allowable</i> activities directly related to the performance of a grant include: 1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member provided: a) The presentation is in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member; and b) The information for the presentation is readily obtainable and able to be put in deliverable form; and c) The costs for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing. 2) Any lobbying made unallowable by paragraph (c)(1)(iii) of §200.450 Lobbying to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or 3) Any activity specifically authorized by statute to be undertaken with funds from the Federal award. 4) Any activity excepted from the definitions of “lobbying” or “influencing legislation” by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and “grass roots” lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §501(c)(3), 501(h), 4911(a), including: a) Nonpartisan analysis, study, or research reports; b) Examinations and discussions of broad social, economic, and similar problems; and c) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. §4911(d)(2) and 26 CFR 56.4911-2(c)(1)-(c)(3). <i>Unallowable</i> for: 1) Attempts to influence the outcomes of any federal, state, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity; 2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for

Item	Description
	the purpose of influencing the outcomes of elections; 3) Any attempt to influence: a) the introduction of federal or state legislation; or b) the enactment or modification of any pending federal or state legislation through: i) communication with any member or employee of the Congress or state legislature, including efforts to influence state or local officials to engage in similar lobbying activity; or ii) by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or c) any government official or employee in connection with a decision to sign or veto enrolled legislation; and 4) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying
Meals	<i>Allowable</i> for lunch or dinner meals if the costs are reasonable and a justification is provided that such activity maintains the continuity of the meeting and to do otherwise will impose arduous conditions on the meeting participants. <i>Allowable</i> for meals consumed while in official travel status. They are considered per diem expenses and should be reimbursed in accordance with the organization's established written travel policies. <i>Unallowable</i> for business meals when individuals decide to go to lunch or dinner together when no need exists for continuity of a meeting. Such activity is considered an entertainment cost. <i>Unallowable</i> for breakfasts for conference attendees because it is expected these individuals will have sufficient time to obtain this meal on their own before the conference begins in the morning. <i>Unallowable</i> for meal costs that are duplicated in meeting participant's per diem or subsistence allowances.
Memberships, Subscriptions, and Professional Activity Costs	<i>Allowable</i> for costs of membership in business, technical, and professional organizations. <i>Unallowable</i> for costs of membership in any civic or community organization.

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Organization Costs	<i>Unallowable</i> for costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-Federal entity in connection with establishment or reorganization of an organization.
Participant Support Costs	<i>Allowable</i> for such items as stipends or subsistence allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with approved conferences, training projects, and focus groups. See also Selling and Marketing – Coupons, Incentives or Other Price Discounts.
Political Activities	<i>Unallowable</i> for development or participation in political activities in accordance with provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7326).
Salaries and Wages	<i>Allowable</i> as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the federal award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation. Salary and wage amounts charged to grant-supported projects or programs for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations). <i>Unallowable</i> for salaries, wages and fringe benefits for project staff that devote time and effort to non-specialty crop specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. where costs cannot be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops. • Example: Salaries and wages for a farmers' market manager to manage and advertise a farmers market that includes non-specialty crop items is unallowable, while salaries and wages for personnel to conduct a cooking demonstration on how to prepare fruits and vegetables is allowable.
Scholarships and Student Aid Costs	<i>Allowable</i> for costs of scholarships, fellowships, and other programs of student aid only when the purpose of the federal award is to provide training to selected participants. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that: • The individual is performing activities necessary to the grant; • Tuition remission and other forms of compensation are consistently provided in accordance with established institutional policy and consistently provided in a like manner to students in return for similar activities conducted under federal awards as well as other activities; • During the academic period, the student is enrolled in an advanced degree

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	program at a non-federal entity or affiliated institution and the activities of the student in relation to the federally sponsored research project are related to the degree program; • The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of the necessary work; and • It is the institution's practice to similarly compensate student under federal awards as well as other activities. Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages are subject to the reporting requirements in §200.466 Scholarships and student aid costs, or an equivalent method for documenting the individual's effort on the project. Tuition remission may be charged on an average rate basis.
Selling and Marketing Costs	<i>Allowable</i> if the primary purpose is to promote the sale of an eligible specialty crop by either stimulating interest in a particular specialty crop or disseminating technical information or messages for the purpose of increasing market share for the specialty crops.
Selling and Marketing Costs – Promotion of an Organization's Image, Logo, or Brand Name	<i>Unallowable</i> for selling and marketing costs designed solely to promote the image of an organization, general logo, or general brand rather than eligible specialty crops. • A promotional campaign to increase sales of "XYZ Grown" Watermelon is acceptable while increasing brand awareness of "XYZ Grown" generically is not. • Promoting tomatoes while including an organization's logo in the promotion is acceptable, while generally promoting an organization's logo is not. • Promotional items could say "Buy XYZ Grown Apples" but not "XYZ Grown", which promotes XYZ generically. • A promotional campaign to increase producer sales of "XYZ Grown fruits and vegetables" is acceptable while increasing membership in "XYZ Grown" generically is not.
Selling and Marketing Costs – Promotion of Non-Specialty Crop Activities	<i>Unallowable</i> for selling and marketing costs for promotion at non-specialty crop specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. • Advertisements could say "Buy Sweet Corn! It is the Best!" but not "Buy Local!" Advertising educational sessions at a conference that solely benefits specialty crop growers are acceptable, while advertising a non-specialty crop specific local food conference is not.

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Selling and Marketing Costs – Promotional Items	<i>Allowable</i> for promotional items that solely promote specialty crops rather than a single organization, general brand, or general logo. Distribution of any promotional item must not be contingent upon the consumer, or other target audience, purchasing a good or service to receive the promotional item. Promotional items could say “Buy XYZ Grown Apples” but not “XYZ Grown.”
Selling and Marketing Costs – Gifts, Prizes, etc.	<i>Unallowable</i> for swag, gifts, prizes, memorabilia, and souvenirs.
Selling and Marketing Costs – Sponsorships	<i>Unallowable</i> for costs associated with sponsorships. A sponsorship is a form of advertising in which an organization uses grant funds to have its name and/or logo associated with certain events and where the organization does not necessarily know how the funds associated with sponsorship costs will be used. These costs are considered a contribution or donation and only benefit the organization offering funding. This limits the beneficiaries to the sponsor organization, which conflicts with the restriction that projects affect and produce measurable outcomes for the specialty crop industry and/or the public rather than a single organization, institution, or individual.
Selling and Marketing Costs – Coupons, Incentives or Other Price Discounts	<i>Unallowable</i> for costs of coupon/incentive redemptions or price discounts. Costs associated with printing, distribution, or promotion of coupons/tokens or price discounts (i.e., a print advertisement that contains a clip-out coupon) are allowable only if they solely promote the specialty crop rather than promote or benefit a program or single organization. See also Participant Support Costs.
Selling and Marketing Costs – Use of Meeting Rooms, Space, Exhibits for Non-Specialty Crop Activities	<i>Unallowable</i> for costs associated with the use of trade shows, meeting rooms, displays, demonstrations, exhibits, and the rental of space for activities that do not solely promote specialty crops. - Supporting the participation of raspberry and blueberry producers at a non-specialty crop specific international trade show to promote berries to an international audience is allowable, while renting a booth space for berry producers as well as wheat producers at an international trade show is not allowable. - Supporting the participation of farmers’ market managers at a national conference that is not specific to specialty crops is not allowable. - Supporting a portion of a national conference that is not specific to specialty crops is not allowable, while supporting a session on specialty crops at a national conference that is not specific to specialty crops is allowable.

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	Funding an “XYZ State Grown” booth at a specialty crop-specific venue where all exhibitors in the booth are specialty crop producers is allowable, but funding an “XYZ Grown” booth at a non-specialty crop specific venue is not allowable.
Selling and Marketing Costs – Cookbooks, Cooking Demonstrations, Recipe Cards, Food Pairings	<i>Allowable</i> for costs promoting the specialty crops in processed products (products prepared or created for the purposes of promoting a specialty crop but that require other ingredients are considered a processed product). A processed product is defined as a product that constitutes greater than 50% of the specialty crop by weight, exclusive of added water. <i>Unallowable</i> for costs of separate complementary non-specialty crop products. A separate complementary non-specialty crop product means a product closely associated with a specialty crop product, the purchase of one encouraging consumers to buy the other (i.e., cheese and wine).
Supplies and Materials, Including Costs of Computing Devices	<i>Allowable</i> for costs incurred for materials, supplies, and fabricated parts necessary to carry out a federal award. Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Only materials and supplies actually used for the performance of a federal award may be charged as direct costs. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes or \$5,000, regardless of the length of its useful life. In the specific case of computing devices, charging as direct cost is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award. Where federally-donated or furnished materials are used in performing the federal award, such materials will be used without charge.
Training	<i>Allowable</i> when the training is required to meet the objectives of the project or program.
Travel	<i>Allowable</i> when travel costs are limited to those allowed by formal organizational policy; in the case of air travel, the lowest reasonable commercial airfares must be used. CDDFA has established guidelines for costs associated with travel using SCBGP funds. All applicants should adhere to the following when developing their travel budget: - For travel and lodging within the United States, applicants should utilize the travel and lodging rates established by the U.S. General Services Administration: State of California, applicants should utilize the travel rates established by the California Department of Human Resources at: http://www.gsa.gov/portal/category/21287. - Applicants should apply the current government mileage rate for personally owned vehicles used for travel related to the project: http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates. - International travel must comply with the Fly America Act, 49 U.S.C. 40118 This Act requires consultants, contractors, grantees, and others performing

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	United States Government financed foreign air travel (SCBGP grant funds, in this case) to travel by United States flag air carriers, with some exceptions. Additional information about the Fly America Act can be found at: http://www.gsa.gov/portal/content/103191. Consideration should be given to the use of alternative technologies such as teleconferencing or videoconferencing if they are available, appropriate for the project, and less costly. <i>Unallowable</i> for travel costs for conferences, venues, tradeshow, events, meetings, programs, conventions, symposia, workshops seminars, etc. that include non-specialty crop activities such as farmers' market annual conferences and general marketing tradeshow where these costs cannot be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops. • Example: Travel costs for personnel to travel to a farmers' market conference is unallowable, while travel to a vegetable food safety educational session is allowable.